



PERRY

& Associates CPAs

PASSION *Beyond the Numbers*

**SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT
BROWN COUNTY
REGULAR AUDIT
FOR THE YEAR ENDED JUNE 30, 2022**

OHIO AUDITOR OF STATE
KEITH FABER



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Board of Education
Southern Hills Joint Vocational School District
9193 Hamer Road
Georgetown, Ohio 45121

We have reviewed the *Independent Auditor's Report* of the Southern Hills Joint Vocational School District, Brown County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period July 1, 2021 through June 30, 2022. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Southern Hills Joint Vocational School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

February 03, 2023

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**SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT
BROWN COUNTY**

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BROWN COUNTY**

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INDEPENDENT AUDITOR'S REPORT

Southern Hills Joint Vocational School District
Brown County
9193 Hamer Road
Georgetown, OH 45121

To the Board of Education:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Southern Hills Joint Vocational School District**, Brown County, Ohio (School District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Southern Hills Joint Vocational School District, Brown County, Ohio as of June 30, 2022, and the respective changes in financial position and budgetary comparison for the General Fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the School District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2022, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

December 19, 2022

Southern Hills Joint Vocational School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
Unaudited

The discussion and analysis of Southern Hills Joint Vocational School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2022. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the transmittal letter, the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

- The School District's net position increased \$1,171,417 mainly due to the decrease in the Net Pension Liability, which resulted from changes in assumptions offset by changes in net investment income.
- The School District had an increase in foundation funding due to a change in the States funding formula.

Using the Basic Financial Statements

This report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Southern Hills Joint Vocational School District as a financial whole, an entire operating entity.

The Statement of Net Position and the Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's major funds with all other nonmajor funds presented in total in one column. The major funds for the Southern Hills Joint Vocational School District are the General Fund and the Permanent Improvement Capital Projects Fund.

Reporting the School District as a Whole

One of the most important questions asked about the School District is "How did we do financially during fiscal year 2022?" The Statement of Net Position and the Statement of Activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in net position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. However, the School

Southern Hills Joint Vocational School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
Unaudited

District's goal is to provide services to students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the School District's property tax base, current property tax laws in Ohio restricting revenue growth, required educational programs and other factors.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 9. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's major funds.

Governmental Funds – Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for fiscal years 2022 and 2021:

Southern Hills Joint Vocational School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
Unaudited

	(Table 1)		
	Net Position		
	Governmental Activities		
	2022	2021	Change
Assets			
Current and Other Assets	\$16,401,705	\$15,364,949	\$1,036,756
Net OPEB Asset	487,538	420,417	67,121
Capital Assets, Net	12,621,395	13,178,479	(557,084)
Total Assets	29,510,638	28,963,845	546,793
Deferred Outflows of Resources			
Pension	1,828,748	1,748,478	80,270
OPEB	174,768	215,023	(40,255)
Total Deferred Outflows of Resources	2,003,516	1,963,501	40,015
Liabilities			
Current and Other Liabilities	679,667	741,526	(61,859)
Long Term Liabilities:			
Due Within One Year	317,549	445,951	(128,402)
Due In More than One Year:			
Net Pension Liability	3,987,833	7,586,556	(3,598,723)
Net OPEB Liability	486,098	553,764	(67,666)
Other	581,748	966,802	(385,054)
Total Liabilities	6,052,895	10,294,599	(4,241,704)
Deferred Inflows of Resources			
Property Taxes	1,799,429	1,908,401	(108,972)
Pension	3,281,961	42,990	3,238,971
OPEB	876,317	822,148	54,169
Lease	472,927	0	472,927
Total Deferred Inflows of Resources	6,430,634	2,773,539	3,657,095
Net Position			
Net Investment in Capital Assets	12,208,719	12,230,812	(22,093)
Restricted	5,325,775	5,668,345	(342,570)
Unrestricted	1,496,131	(39,949)	1,536,080
Total Net Position	\$19,030,625	\$17,859,208	\$1,171,417

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2022. GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that

Southern Hills Joint Vocational School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
Unaudited

the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

Current and Other Assets increased \$1,036,756, due mainly to an increase in cash and cash equivalents related to an increase in intergovernmental revenue during the fiscal year. Capital Assets, Net decreased \$557,084, due to depreciation and deletions exceeding additions during the fiscal year.

Total liabilities decreased \$4,241,704. Net Pension Liability decreased \$3,598,723, due to changes in assumptions offset by changes in net investment income. Deferred inflows of resources increased mainly due to the difference between projected and actual earnings on pension plan investments.

Unrestricted Net Position for governmental activities increased \$1,536,080, due to the decrease in the Net Pension Liability.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2022 and 2021.

Southern Hills Joint Vocational School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
Unaudited

(Table 2)
Changes in Net Position

	<u>Governmental Activities</u>		Change
	<u>2022</u>	<u>2021</u>	
Revenues			
Program Revenues:			
Charges for Services and Sales	\$537,206	\$939,678	(\$402,472)
Operating Grants, Contributions and Interest	2,595,784	2,313,326	282,458
Total Program Revenues	3,132,990	3,253,004	(120,014)
General Revenues:			
Property Taxes	3,023,540	2,762,015	261,525
Grants and Entitlements not Restricted to Specific Programs	3,122,810	2,783,401	339,409
Interest	(98,042)	228,017	(326,059)
Miscellaneous	126,477	45,919	80,558
Total General Revenues	6,174,785	5,819,352	355,433
Total Revenues	9,307,775	9,072,356	235,419
Program Expenses			
Instruction:			
Regular	130,364	142,943	(12,579)
Special	5,101	4,863	238
Vocational	4,576,276	4,877,762	(301,486)
Adult/Continuing	172,683	290,865	(118,182)
Support Services:			
Pupils	580,199	537,632	42,567
Instructional Staff	172,308	203,746	(31,438)
Board of Education	69,854	76,945	(7,091)
Administration	738,972	991,293	(252,321)
Fiscal	417,122	450,622	(33,500)
Business	3,134	4,093	(959)
Operation and Maintenance of Plant	785,607	727,927	57,680
Pupil Transportation	41,962	889	41,073
Central	16,022	25,542	(9,520)
Operation of Non-Instructional Services	381,676	252,357	129,319
Extracurricular Activities	39,886	14,086	25,800
Interest and Fiscal Charges	5,192	23,675	(18,483)
Total Expenses	8,136,358	8,625,240	(488,882)
Change in Net Position	1,171,417	447,116	724,301
Net Position Beginning of Year	17,859,208	17,412,092	447,116
Net Position at End of Year	\$19,030,625	\$17,859,208	\$1,171,417

Southern Hills Joint Vocational School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
Unaudited

Governmental Activities

Grants and Entitlements made up 51 percent of general revenues for governmental activities of the Southern Hills Joint Vocational School District for fiscal year 2022. It is very common for these monies to make up the majority of revenues in low property wealth districts that rely on State revenue to support its daily operations.

The decrease in program revenues was \$120,014 from the prior fiscal year. Charges for Services and Sales decreased while Operating Grants increased due to changes in State funding and how open enrollment is being recorded.

As should be expected, instruction costs represent the largest of the School District's expenses for fiscal year 2022. Overall, expenses decreased \$488,882 primarily due to a decrease in vocational instruction of \$301,486 and support services administration of \$252,321. The decreases were due to the School District continuously monitoring spending during the fiscal year.

The School District's Funds

Information about the School District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$9,323,632 and expenditures of \$8,573,650. The General Fund had an increase of \$1,088,213, mainly due to an increase in intergovernmental revenue. The Permanent Improvement Capital Projects Fund had a decrease of \$153,527 mainly due to a decrease in investment earnings during the fiscal year.

General Fund - Budget Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2022, the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures. A summary of the General Fund original and final budgeted amounts is listed on page 17, as well as the actual amounts. A variance comparison is presented between the final budgeted amount and the actual amounts.

For the General Fund, the original budget basis revenues were \$6,924,263, with a final budget estimate of \$6,951,263, a difference of \$27,000. There was a \$700,980 variance between the final budget and actual budget basis revenues mainly due to an increase in intergovernmental revenue.

Original budget basis expenditures and carryover encumbrances for the General Fund were \$7,593,917 and final budget basis expenditures and carryover encumbrances were \$7,653,221, a difference of \$59,304. The increase in estimated expenditures was primarily related to an increase in Adult/Continuing Instruction. Final actual expenditures fell below the final budgeted expenditures by \$974,069 mainly due to a decrease in Vocational and Adult/Continuing Instruction expenditures.

Southern Hills Joint Vocational School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
Unaudited

The decreases are mainly due to the School District budgeting conservatively.

The School District's ending unobligated cash balance in the General Fund was \$1,717,372 above the final budgeted amount.

Capital Assets

At the end of fiscal year 2022, the School District had \$12,621,395 invested in capital assets, net of depreciation. Capital Assets decreased \$557,084 from the prior fiscal year. This was due to depreciation exceeding additions during the fiscal year. For more information on Capital Assets, refer to the notes to the basic financial statements (Note 8).

Debt

At June 30, 2022, the School District had notes outstanding of \$100,373, with the remainder due within one year. In addition, the School District had \$312,303 outstanding associated with a financed purchase payable at fiscal year-end.

For more information on Debt, refer to the notes to the basic financial statements (Note 13).

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, contact Kari Barnes, Treasurer at Southern Hills Joint Vocational School District, 9193 Hamer Road, Georgetown, Ohio 45121 or e-mail at kari.barnes@shctc.us.

Southern Hills Joint Vocational School District
Statement of Net Position
June 30, 2022

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$13,046,375
Materials and Supplies Inventory	1,340
Inventory Held for Resale	3,610
Accrued Interest Receivable	14,382
Prepaid Items	1,206
Property Taxes Receivable	2,854,942
Intergovernmental Receivable	6,923
Lease Receivable	472,927
Net OPEB Asset	487,538
Capital Assets:	
Land	339,053
Construction in Progress	23,506
Depreciable Capital Assets, Net	12,258,836
<i>Total Assets</i>	29,510,638
<u>Deferred Outflows of Resources:</u>	
Pension	1,828,748
OPEB	174,768
Total Deferred Outflows of Resources	2,003,516
<u>Liabilities:</u>	
Accounts Payable	15,707
Accrued Wages and Benefits Payable	553,291
Intergovernmental Payable	86,905
Accrued Interest Payable	23,764
Long-Term Liabilities:	
Due Within One Year	317,549
Due in More Than One Year:	
Net Pension Liability	3,987,833
Net OPEB Liability	486,098
Other Amounts Due in More Than One Year	581,748
<i>Total Liabilities</i>	6,052,895
<u>Deferred Inflows of Resources:</u>	
Property Taxes	1,799,429
Pension	3,281,961
OPEB	876,317
Lease	472,927
<i>Total Deferred Inflows of Resources</i>	6,430,634
<u>Net Position:</u>	
Net Investment in Capital Assets	12,208,719
Restricted for:	
Capital Improvements	2,241,544
Food Service Operations	433,887
Adult Education	608,904
Classroom Facilities Maintenance	1,560,726
Renewed Opportunity	120,946
Scholarship	59,824
Student Managed Activities	86,576
State and Federal Grants	193,071
Set-Asides	20,297
Unrestricted	1,496,131
<i>Total Net Position</i>	\$19,030,625

See accompanying notes to the basic financial statements

Southern Hills Joint Vocational School District
Statement of Activities
For the Fiscal Year Ended June 30, 2022

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Contributions, and Interest	Governmental Activities
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$130,364	\$397,900	\$500	\$268,036
Special	5,101	0	406,753	401,652
Vocational	4,576,276	0	1,606,906	(2,969,370)
Adult/Continuing	172,683	14,435	0	(158,248)
Support Services:				
Pupils	580,199	0	139,806	(440,393)
Instructional Staff	172,308	0	146,458	(25,850)
Board of Education	69,854	0	0	(69,854)
Administration	738,972	18,818	0	(720,154)
Fiscal	417,122	0	0	(417,122)
Business	3,134	88	0	(3,046)
Operation and Maintenance of Plant	785,607	46,640	0	(738,967)
Pupil Transportation	41,962	0	0	(41,962)
Central	16,022	0	0	(16,022)
Operation of Non-Instructional Services	381,676	18,995	293,861	(68,820)
Extracurricular Activities	39,886	40,330	1,500	1,944
Interest and Fiscal Charges	5,192	0	0	(5,192)
<i>Total Governmental Activities</i>	<u>\$8,136,358</u>	<u>\$537,206</u>	<u>\$2,595,784</u>	<u>(5,003,368)</u>

General Revenues:

Property Taxes Levied for:	
General Purposes	2,317,014
Other Purposes	157,500
Capital Outlay	549,026
Grants and Entitlements not	
Restricted to Specific Programs	3,122,810
Interest	(98,042)
Miscellaneous	126,477
<i>Total General Revenues</i>	<u>6,174,785</u>
Change in Net Position	1,171,417
Net Position at Beginning of Year	17,859,208
Net Position at End of Year	<u>\$19,030,625</u>

See accompanying notes to the basic financial statements

Southern Hills Joint Vocational School District
Balance Sheet
Governmental Funds
June 30, 2022

	General Fund	Permanent Improvement Fund	Nonmajor Governmental Funds	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$7,780,347	\$1,444,434	\$3,801,297	\$13,026,078
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	20,297	0	0	20,297
Receivables:				
Property Taxes	2,180,594	674,348	0	2,854,942
Accrued Interest	0	13,836	546	14,382
Intergovernmental	503	0	6,420	6,923
Interfund	4,000	0	0	4,000
Lease	472,927	0	0	472,927
Prepaid Items	1,141	0	65	1,206
Materials and Supplies Inventory	0	0	1,340	1,340
Inventory Held for Resale	0	0	3,610	3,610
Advances to Other Funds	200,000	0	0	200,000
<i>Total Assets</i>	<u>\$10,659,809</u>	<u>\$2,132,618</u>	<u>\$3,813,278</u>	<u>\$16,605,705</u>
<u>Liabilities:</u>				
Accounts Payable	\$7,818	\$0	\$7,889	\$15,707
Accrued Wages and Benefits Payable	542,545	0	10,746	553,291
Intergovernmental Payable	86,476	0	429	86,905
Interfund Payable	0	0	4,000	4,000
Advances From Other Funds	0	0	200,000	200,000
<i>Total Liabilities</i>	<u>636,839</u>	<u>0</u>	<u>223,064</u>	<u>859,903</u>
<u>Deferred Inflows of Resources:</u>				
Property Taxes	1,382,074	417,355	0	1,799,429
Unavailable Revenue	134,744	51,791	6,703	193,238
Lease	472,927	0	0	472,927
<i>Total Deferred Inflows of Resources</i>	<u>1,989,745</u>	<u>469,146</u>	<u>6,703</u>	<u>2,465,594</u>
<u>Fund Balances:</u>				
Nonspendable	201,141	0	1,405	202,546
Restricted	20,297	1,663,472	3,585,966	5,269,735
Committed	623,517	0	0	623,517
Assigned	67,629	0	0	67,629
Unassigned (Deficit)	7,120,641	0	(3,860)	7,116,781
<i>Total Fund Balances</i>	<u>8,033,225</u>	<u>1,663,472</u>	<u>3,583,511</u>	<u>13,280,208</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$10,659,809</u>	<u>\$2,132,618</u>	<u>\$3,813,278</u>	<u>\$16,605,705</u>

See accompanying notes to the basic financial statements

Southern Hills Joint Vocational School District
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2022*

Total Governmental Fund Balances \$13,280,208

***Amounts reported for governmental activities in the
 Statement of Net Position are different because:***

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	339,053	
Construction in progress	23,506	
Depreciable capital assets	27,877,291	
Accumulated depreciation	<u>(15,618,455)</u>	
Total		12,621,395

Some of the School District's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as unavailable revenue in the funds.

Property taxes	179,366	
Intergovernmental	6,420	
Interest	<u>7,452</u>	
Total		193,238

In the Statement of Activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due. (23,764)

The net pension liability and net OPEB liability (asset) are not due and payable in the current period; therefore, the liabilities (asset) and related deferred inflows/outflows are not reported in governmental funds:

Net OPEB asset	487,538	
Deferred outflows - pension	1,828,748	
Deferred outflows - OPEB	174,768	
Net pension liability	(3,987,833)	
Net OPEB liability	(486,098)	
Deferred inflows - pension	(3,281,961)	
Deferred inflows - OPEB	<u>(876,317)</u>	
Total		(6,141,155)

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Tax anticipation notes	(100,373)	
Financed Purchase Payable	(312,303)	
Compensated absences	<u>(486,621)</u>	
Total		<u>(899,297)</u>

Net Position of Governmental Activities \$19,030,625

See accompanying notes to the basic financial statements

Southern Hills Joint Vocational School District
Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Fiscal Year Ended June 30, 2022

	General Fund	Permanent Improvement Fund	Nonmajor Governmental Funds	Total Governmental Funds
<u>Revenues:</u>				
Property Taxes	\$2,328,531	\$557,473	\$157,500	\$3,043,504
Intergovernmental	4,947,546	95,617	675,748	5,718,911
Interest	18,306	(114,123)	(8,649)	(104,466)
Lease Revenue	46,640	0	0	46,640
Tuition and Fees	218,505	0	33,341	251,846
Extracurricular Activities	0	0	40,330	40,330
Customer Sales and Services	179,395	0	18,995	198,390
Contributions and Donations	500	0	1,500	2,000
Miscellaneous	21,247	2,665	102,565	126,477
Total Revenues	7,760,670	541,632	1,021,330	9,323,632
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	145,709	0	0	145,709
Special	60	0	0	60
Vocational	4,020,408	105,799	128,459	4,254,666
Adult/Continuing	26,492	0	112,234	138,726
Support Services:				
Pupils	396,703	0	207,989	604,692
Instructional Staff	175,066	1,829	149,730	326,625
Board of Education	27,645	0	0	27,645
Administration	679,864	0	146,305	826,169
Fiscal	420,609	23,306	0	443,915
Business	2,451	0	683	3,134
Operation and Maintenance of Plant	627,622	1	167,510	795,133
Pupil Transportation	29,211	0	0	29,211
Central	15,944	0	0	15,944
Operation of Non-Instructional Services	22,898	0	334,264	357,162
Extracurricular Activities	8,306	0	31,580	39,886
Capital Outlay	0	23,506	749	24,255
Debt Service:				
Principal Retirement	0	534,991	0	534,991
Interest and Fiscal Charges	0	5,727	0	5,727
Total Expenditures	6,598,988	695,159	1,279,503	8,573,650
Excess of Revenues Over (Under) Expenditures	1,161,682	(153,527)	(258,173)	749,982
<u>Other Financing Sources (Uses):</u>				
Transfers In	0	0	73,469	73,469
Transfers Out	(73,469)	0	0	(73,469)
Total Other Financing Sources (Uses)	(73,469)	0	73,469	0
Net Change in Fund Balances	1,088,213	(153,527)	(184,704)	749,982
Fund Balances at Beginning of Year	6,945,012	1,816,999	3,768,215	12,530,226
Fund Balances at End of Year	<u>\$8,033,225</u>	<u>\$1,663,472</u>	<u>\$3,583,511</u>	<u>\$13,280,208</u>

See accompanying notes to the basic financial statements

Southern Hills Joint Vocational School District
*Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities*
For the Fiscal Year Ended June 30, 2022

Net Change in Fund Balances - Total Governmental Funds \$749,982

*Amounts reported for governmental activities in the
Statement of Activities are different because:*

Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital assets additions	326,617	
Construction in progress additions	23,506	
Depreciation expense	(906,559)	
Excess of depreciation expense over capital outlay		(556,436)

The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of the capital assets are removed from the capital assets account in the Statement of Net Position and offset against the sale of capital assets resulting in a gain or loss on the sale of capital assets in the Statement of Activities.

Loss on sale and disposal of capital assets		(648)
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Because some revenues will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds.

Delinquent property taxes	(19,964)	
Intergovernmental	6,420	
Interest	(2,313)	
Total		(15,857)

Contractually required contributions are reported as expenditures in governmental funds; however, the Statement of Net Position reports these amounts as deferred outflows.

Pension	565,584	
OPEB	2,606	
Total		568,190

Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liabilities (asset) are reported as pension expense in Statement of Activities.

Pension	(125,562)	
OPEB	37,757	
Total		(87,805)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. In the current fiscal year, these amounts consist of:

Financed Purchase Payment	298,314	
Tax anticipation note principal payment	236,677	
Total long-term debt repayment		534,991

Accrued interest payable on the notes and lease are not reported in the funds, but are allocated as an expense over the life of the debt in the Statement of Activities.

Decrease in accrued interest		535
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Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Increase in compensated absences payable		(21,535)
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Change in Net Position of Governmental Activities \$1,171,417

Southern Hills Joint Vocational School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Revenues:				
Property Taxes	\$2,244,264	\$2,000,958	\$2,220,254	\$219,296
Intergovernmental	4,070,307	4,313,613	4,947,624	634,011
Tuition and Fees	441,383	441,383	218,505	(222,878)
Rent	67,544	67,544	64,946	(2,598)
Customer Sales and Services	96,700	123,700	179,395	55,695
Contributions and Donations	0	0	500	500
Miscellaneous	4,065	4,065	21,019	16,954
Total Revenues	6,924,263	6,951,263	7,652,243	700,980
Expenditures:				
Current:				
Instruction:				
Regular	120,179	145,616	145,189	427
Special	0	720	60	660
Vocational	4,650,137	4,676,024	4,090,998	585,026
Adult/Continuing	129,015	190,461	26,492	163,969
Support Services:				
Pupils	453,511	445,273	397,699	47,574
Instructional Staff	165,515	175,304	175,139	165
Board of Education	53,565	52,573	25,899	26,674
Administration	761,652	735,822	683,378	52,444
Fiscal	442,719	428,587	420,545	8,042
Business	4,444	4,350	2,451	1,899
Operation and Maintenance of Plant	680,385	668,640	629,063	39,577
Pupil Transportation	50,158	49,016	28,616	20,400
Central	27,611	27,000	15,944	11,056
Operation of Non-Instructional Services	31,377	30,500	29,486	1,014
Extracurricular Activities	13,649	13,335	8,193	5,142
Capital Outlay	10,000	10,000	0	10,000
Total Expenditures	7,593,917	7,653,221	6,679,152	974,069
Excess of Revenues Over (Under) Expenditures	(669,654)	(701,958)	973,091	1,675,049
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures	5,000	5,000	228	(4,772)
Advances In	5,000	5,000	0	(5,000)
Advances Out	(7,500)	(7,500)	(4,000)	3,500
Transfers Out	(122,064)	(122,064)	(73,469)	48,595
Total Other Financing Sources (Uses)	(119,564)	(119,564)	(77,241)	42,323
Net Change in Fund Balance	(789,218)	(821,522)	895,850	1,717,372
Fund Balance at Beginning of Year	6,771,033	6,771,033	6,771,033	0
Prior Year Encumbrances Appropriated	63,859	63,859	63,859	0
Fund Balance at End of Year	<u>\$6,045,674</u>	<u>\$6,013,370</u>	<u>\$7,730,742</u>	<u>\$1,717,372</u>

See accompanying notes to the basic financial statements

Southern Hills Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

Note 1 – Description of the School District and Reporting Entity

The Southern Hills Joint Vocational School District (the “School District”) is a distinct political subdivision of the State of Ohio operated under the direction of a seven-member Board of Education. The Board of Education is not directly elected. The Board of Education is comprised of members of other elected boards who, by charter, also serve as board members of the Southern Hills Joint Vocational School. The School District provides educational services as authorized by State statute and federal guidelines.

A board member is appointed by each local board of education within the Joint Vocational School District. The Board is appointed by the boards of Georgetown Exempted Village School District and Western Brown, Eastern, Fayetteville Perry and Ripley Union Lewis Huntington Local School Districts. Bright Local School District has assigned their appointment to the Southern Ohio Educational Service Center. The Brown County Educational Service Center makes the final appointment to the Board. The School District is responsible for levying taxes, approving its own budget, appointing personnel, and accounting and finance related activities.

The School District, located in Brown County, was established in 1970 and includes all of Brown County and the Bright Local School District in Highland County. The School District serves an area of approximately 634 square miles. It is staffed by 17 non-certificated and 41 certificated teaching personnel and administrative employees providing education to 588 secondary students. Secondary students include the full-time equivalents of home schooled students and students attending programs offered outside the central building. These students are not included as full-time students in the School District’s average daily membership.

Reporting Entity

The School District is a jointly governed organization, legally separate from other organizations. None of the school districts that appoint Board members are financially accountable for the School District.

The reporting entity is comprised of the jointly governed organization, component units, and other organizations that are included to ensure that the financial statements are not misleading. The jointly governed organization of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Southern Hills Joint Vocational School District, this includes general operations, food service, continuing education and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization’s governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization’s resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves

Southern Hills Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

the budget, the issuance of debt, or the levying of taxes, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the School District. The School District has no component units.

The School District participates in three organizations, one of which is defined as a jointly governed organization, one as an insurance purchasing pool, and one as a public entity shared risk and insurance purchasing pool. These organizations are presented in Notes 15 and 16 to the basic financial statements. These organizations are:

Jointly Governed Organization:

Hamilton/Clermont Cooperative

Insurance Purchasing Pool:

Ohio SchoolComp Workers' Compensation Group Rating Plan

Public Entity Shared Risk and Insurance Purchasing Pool:

Brown County Schools Benefits Consortium

Note 2 – Summary of Significant Accounting Policies

The financial statements of the Southern Hills Joint Vocational School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the School District, except for fiduciary funds. The government-wide financial statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type activities; however, the School District has no business-type activities.

The Statement of Net Position presents the financial condition of the governmental activities of the School District at fiscal year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program,

Southern Hills Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements

During the fiscal year, the School District segregates transactions related to certain School District functions or activities into separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type, however the School District has no fiduciary funds.

Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The School District only has governmental funds.

Governmental Funds

Governmental funds are those through which most governmental functions of the School District are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities and deferred inflows of resources is reported as fund balance. The following are the School District's major governmental funds:

General Fund – The General Fund is the operating fund of the School District and is used to account for and report all financial resources not accounted for and reported in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Permanent Improvement Fund – This fund accounts for and reports property tax revenues restricted to acquiring, constructing, or improving capital assets.

The nonmajor governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

Southern Hills Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Measurement Focus

Government-wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and deferred outflows of resources and liabilities and deferred inflows of resources associated with the operation of the School District are included on the Statement of Net Position. The Statement of Activities reports increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities and deferred inflows of resources generally are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting; proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows/outflows of resources, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Measurable” means that the amount of the transaction can be determined and “available” means that the resources will be collected within the current fiscal year, or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of fiscal year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in

Southern Hills Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available for advance, grants, interest, and miscellaneous.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB plans. The deferred outflows of resources related to pension and OPEB plans are explained in Note 10 and 11.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB, leases and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2022, but which were levied to finance fiscal year 2023 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. The deferred inflow for leases is related to the lease receivable and is being recognized as lease revenue in a systematic and rational manner over the term of the lease. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes, intergovernmental grants, and interest. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities found on page 14. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position (See Note 10 and 11).

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting

Southern Hills Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents”.

During fiscal year 2022, the School District’s investments were limited to STAR Ohio, Commercial Paper, Money Market Mutual Funds, and negotiable certificates of deposit. Investments, except for STAR Ohio and Commercial Paper, are reported at fair value which is based on quoted market prices. For investments in open-end mutual funds, the fair value is determined by the fund’s current share price. The School District’s commercial paper is measured at amortized cost as it is a highly liquid debt instrument with a remaining maturity at the time of purchase less than one year.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, “Certain External Investment Pools and Pool Participants.” The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2022, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, 24 hours advance notice for deposits and withdrawals of \$100 million or more is encouraged. STAR Ohio reserves the right to limit the transaction to \$250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the Permanent Improvement Capital Projects Fund during fiscal year 2022 amounted to (\$114,123), which includes (\$101,488) assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by

Southern Hills Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

creditors, contributors, grantors or laws of other governments or imposed by law through constitutional provisions. Restricted assets in the General Fund include amounts required by statute to be set-aside by the School District for budget stabilization.

Interfund Balances

On fund financial statements, outstanding interfund loans are reported as “Interfund Receivable” and “Interfund Payable”. Long-term interfund loan receivables are reported as “Advances to Other Funds” or “Advances from Other Funds” and are classified as nonspendable fund balance which indicate that they are not in spendable form even though it is a component of net position. These amounts are eliminated in the Statement of Net Position.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2022, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

Inventory

Materials and supplies inventory is reported at cost, while inventory held for resale is presented at the lower of cost or market value, and donated commodities are presented at their entitlement value. Inventories are presented on a first-in, first-out basis and are expended/expensed when used. Inventories consist of materials and supplies held for consumption and donated and purchased food held for resale.

Capital Assets

The School District’s only capital assets are general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their acquisition values as of the date received. The School District maintains a capitalization threshold of \$1,000 for furniture, equipment, and vehicles. The capitalization threshold for land and buildings is zero dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized.

All reported capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Southern Hills Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	15 years
Buildings and Improvements	20 - 50 years
Furniture and Equipment	8 - 10 years
Vehicles	10 years
Textbooks	5 years

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year-end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for employees with at least 10 years of service for all positions.

The entire compensated absences liability is reported on the government-wide financial statements.

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits. The tax anticipation note and the financed purchase that will be paid from governmental funds are recognized as an expenditure and liability on the governmental fund financial statements when due.

Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are

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For the Fiscal Year Ended June 30, 2022

reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance incorporates termination benefits to the extent that existing resources in the fund have been specifically committed for use in satisfying those requirements. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. The amounts are assigned by the School District Board of Education. In the General Fund, assigned amounts represent intended uses established by the School District Board of Education or a School District official delegated that authority by resolution or by a State statute. State Statute authorizes the Treasurer to assign fund balances for purchases on order provided such amounts have been lawfully appropriated.

Unassigned Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit fund balance.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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For the Fiscal Year Ended June 30, 2022

Net Position

Net Position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for food service operations, music and athletic programs, student activities, and federal and State grants.

The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Internal Activity

Transfers within governmental activities are eliminated on the government-wide financial statements.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers and are eliminated from the Statement of Activities. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of budgetary control has been established by the Board of Education at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The Treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts reflect the amounts in the amended certificate in effect at the time the final appropriations were passed.

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The appropriations resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts in the budgetary statements reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board of Education during the fiscal year, including all supplemental appropriations.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 3 – Change in Accounting Principles

For fiscal year 2022, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases and related guidance from (GASB) Implementation Guide No. 2019-3, Leases.

GASB Statement 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. These changes were incorporated in the School District's 2022 financial statements; however, there was no effect on beginning net position/fund balance.

The School District is also implementing *Implementation Guide No. 2020-1*, GASB Statement No. 92 –*Omnibus 2020*, and GASB Statement No. 97 -- *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. These changes were incorporated in the School District's 2022 financial statements; however, there was no effect on beginning net position/fund balance.

For fiscal year 2022, the School District modified its approach related to the eligibility requirements of certain School District grants; however, there was no effect on beginning net position/fund balance.

Note 4 – Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the General Fund is presented on the

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budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Advances In and Advances Out are operating transactions (budget basis) as opposed to Balance Sheet transactions (GAAP basis).
4. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed or assigned fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund and the Ohio School Facilities Maintenance Special Revenue Fund.

<u>Net Change in Fund Balance</u>	
	<u>General Fund</u>
GAAP Basis	\$1,088,213
Adjustments:	
Revenue Accruals	(108,199)
Expenditure Accruals	(10,262)
Advances	(4,000)
Encumbrances	(69,902)
Budget Basis	<u><u>\$895,850</u></u>

Note 5 – Deposits and Investments

Monies held by the School District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active monies must be maintained either as cash in the School District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and

Southern Hills Joint Vocational School District
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8. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met. The investment in commercial paper notes of a single issuer shall not exceed in the aggregate five percent of interim moneys available for investment at the time of purchase.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Except as noted above, an investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Investments

Investments are reported at fair value. As of June 30, 2022, the School District had the following investments:

Measurement/Investment	Measurement Amount	Maturity	Standard & Poor's Rating	Percent of Total Investment
Net Asset Value per Share:				
STAR Ohio	\$1,185,675	Less than one year	AAAm	N/A
Amortized Cost:				
Commercial Paper	954,847	Less than one year	A1	10.76%
Fair Value - Level One Inputs:				
Money Market Mutual Fund	278,437	Less than one year	Aaa	N/A
Fair Value - Level Two Inputs:				
Negotiable Certificate of Deposits	<u>6,451,401</u>	Less than five years	N/A	72.73%
Total Investments	<u>\$8,870,360</u>			

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the School District's recurring fair value measurements as of June 30, 2022. The School District's investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and

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economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs).

Interest Rate Risk

The School District has no investment policy beyond State statute that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk

The Standard and Poor's or Moody's rating of the School District's investments is listed in the table above. STAR Ohio is permitted by Ohio Revised Code Section 135.45. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market mutual funds be rated in the highest category at the time of purchase by at least one nationally recognized rating service. The negotiable certificates of deposit are in denominations of under \$250,000 each, in separate banks, and are insured by the Federal Deposit Insurance Corporation (FDIC). The negotiable certificates of deposit are, therefore, not subject to credit risk. The School District has no investment policy that addresses credit risk.

Concentration of Credit Risk

The School District places no limit on the amount it may invest in any one issuer. The percentage that each investment represents of the total investments is listed in the table preceding.

Note 6 – Property Taxes

Property taxes are levied and assessed on a calendar year basis while the School District's fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2022 represents collections of calendar year 2021 taxes. Real property taxes received in calendar year 2022 were levied after April 1, 2021, on the assessed value listed as of January 1, 2021, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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For the Fiscal Year Ended June 30, 2022

Public utility property tax revenue received in calendar year 2022 represents collections of calendar year 2021 taxes. Public utility real and tangible personal property taxes received in calendar year 2022 became a lien December 31, 2020, were levied after April 1, 2021 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Brown County. The Brown County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2022, are available to finance fiscal year 2022 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes that are measurable as of June 30, 2022 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

The amounts available as an advance at June 30, 2022, were \$663,776 in the General Fund and \$212,371 in the Permanent Improvement Capital Projects Fund. The amounts available as an advance at June 30, 2021, were \$555,499 in the General Fund and \$198,923 in the Permanent Improvement Capital Projects Fund.

On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

The assessed values upon which fiscal year 2022 taxes were collected are:

	<u>2021 First- Half Collections</u>		<u>2022 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Real Estate	\$823,040,340	94.00%	\$921,882,850	93.75%
Public Utility Personal	52,501,000	6.00%	61,477,370	6.25%
Total Assessed Value	<u>\$875,541,340</u>	<u>100.00%</u>	<u>\$983,360,220</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed	\$6.40		\$6.40	

Note 7 – Receivables

Receivables at June 30, 2022, consisted of property taxes, lease, interest, intergovernmental grants, and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year

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guarantee of federal funds. All receivables, except delinquent property taxes and leases, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amount
<u>Governmental Activities:</u>	
State Foundation Adjustment	\$503
High Schools that Work Grant	3,859
Miscellaneous State Grants	2,561
Total Intergovernmental Receivables	\$6,923

Lease

The School District is reporting a lease receivable of \$472,927 in the general fund at June 30, 2022. These amounts represent the discounted future lease payments. This discount is being amortized using the interest method. For 2022, the School District recognized lease revenue of \$46,640 and interest revenue of \$18,306 in the general fund. A description of the School District's leasing arrangement is as follows:

Building Office Space – The School District has entered into a lease agreement for building office space with the Brown County Educational Service Center. The payments are made monthly and the lease term ends June 2029.

A summary of future lease revenue is as follows:

	General	
Year	Principal	Interest
2023	\$51,024	\$16,519
2024	54,991	14,579
2025	60,584	12,465
2026	66,561	10,139
2027	72,949	7,588
2028-2029	166,818	6,536
	\$472,927	\$67,826

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Note 8 – Capital Assets

Capital assets activity for the fiscal year ended June 30, 2022, was as follows:

	Balance 6/30/2021	Additions	Deletions	Balance 6/30/2022
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$339,053	\$0	\$0	\$339,053
Construction in Progress	0	23,506	0	23,506
Total Capital Assets, Not Being Depreciated	<u>339,053</u>	<u>23,506</u>	<u>0</u>	<u>362,559</u>
Capital Assets Being Depreciated				
Land Improvements	662,675	0	0	662,675
Buildings and Improvements	18,708,948	27,615	0	18,736,563
Furniture and Equipment	7,600,071	231,788	(22,511)	7,809,348
Vehicles	593,896	67,214	0	661,110
Textbooks	7,595	0	0	7,595
Total Capital Assets Being Depreciated	<u>27,573,185</u>	<u>326,617</u>	<u>(22,511)</u>	<u>27,877,291</u>
Less Accumulated Depreciation:				
Land Improvements	(514,388)	(12,348)	0	(526,736)
Buildings and Improvements	(8,303,476)	(513,258)	0	(8,816,734)
Furniture and Equipment	(5,443,842)	(357,822)	21,863	(5,779,801)
Vehicles	(466,950)	(22,323)	0	(489,273)
Textbooks	(5,103)	(808)	0	(5,911)
Total Accumulated Depreciation	<u>(14,733,759)</u>	<u>(906,559) *</u>	<u>21,863</u>	<u>(15,618,455)</u>
Total Capital Assets Being Depreciated, Net	<u>12,839,426</u>	<u>(579,942)</u>	<u>(648)</u>	<u>12,258,836</u>
Governmental Activities Capital Assets, Net	<u>\$13,178,479</u>	<u>(\$556,436)</u>	<u>(\$648)</u>	<u>\$12,621,395</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$7,283
Special	5,041
Vocational	684,179
Adult/Continuing	37,607
Support Services:	
Pupils	11,174
Instructional Staff	31,654
Board of Education	42,209
Administration	6,957
Fiscal	6,352
Operation and Maintenance of Plant	30,458
Pupil Transportation	13,750
Central	78
Operation of Non-Instructional Services	29,817
Total Depreciation Expense	<u>\$906,559</u>

Southern Hills Joint Vocational School District
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Note 9 – Risk Management

Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2022, the School District contracted with Ohio School Plan for general liability insurance with a \$7,000,000 single occurrence limit and a \$9,000,000 aggregate. Property is protected by Ohio School Plan and holds a \$1,000 deductible with a \$33,851,000 limit. The School District's vehicles are covered by Ohio School Plan under a business policy and hold a \$1,000 deductible for buses and a \$500 deductible for all other vehicles for comprehensive and collision with a \$7,000,000 limit on any accident. School Board errors and omissions coverage is provided by Ohio School Plan and has a \$7,000,000 general liability and a \$9,000,000 aggregate limit with a \$2,500 deductible.

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant change in coverage from the prior fiscal year.

Workers' Compensation

For fiscal year 2022, the School District participated in the Ohio SchoolComp Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduce premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP. Each year, the School District pays an enrollment fee to the GRP to cover the costs of administering the program.

Employee Medical and Dental Benefits

The School District participates in the Brown County Schools Benefits Consortium (the Consortium), a public entity shared risk and insurance purchasing pool (Note 16) consisting of nine districts. The Consortium has elected to have United Healthcare provide medical coverage purchased as a group through the Consortium. Dental coverage is being provided through a shared risk pool based on member districts' number of employees. The School District is responsible for providing a current listing of enrolled employees and for providing timely pro-rata payments of premiums to the Consortium for employee health coverage and dental benefits. The Consortium is responsible for the management and operations of the program. Upon termination from the Consortium, for any reason, the terminated member relinquishes their portion of equity in the Consortium's cash pool.

Southern Hills Joint Vocational School District
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Note 10 – Defined Benefit Pension Plans

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability

The net pension liability and the net OPEB liability (asset) reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. Pensions/OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension/OPEB liability (asset) represents the School District’s proportionate share of each pension/OPEB plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan’s fiduciary net position. The net pension/OPEB liability (asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the School District’s obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions/OPEB are financed; however, the School District does receive the benefit of employees’ services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan’s unfunded benefits is presented as a net OPEB asset or long-term net pension/OPEB liability on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting. The

Southern Hills Joint Vocational School District

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remainder of this note includes the required pension disclosures. See Note 11 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. New benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. The COLA is indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. The Retirement Board approved a 0.5 percent COLA for calendar year 2021.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30,

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2022, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2022, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The School District's contractually required contribution to SERS was \$138,673 for fiscal year 2022, none of which is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple employer public employee system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2026, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate is deposited into the member's DC account and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular

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DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50 and after termination of employment.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. Eligible survivors of members who die before service retirement may qualify for monthly benefits. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The fiscal year 2022 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2022, the full employer contribution was allocated to pension.

The School District's contractually required contribution to STRS was \$426,911 for fiscal year 2022. Of this amount, \$77,809 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability:			
Current Measurement Date	0.02795070%	0.023123396%	
Prior Measurement Date	<u>0.02719080%</u>	<u>0.023921280%</u>	
Change in Proportionate Share	<u>0.00075990%</u>	<u>-0.000797884%</u>	
Proportionate Share of the Net			
Pension Liability	\$1,031,298	\$2,956,535	\$3,987,833
Pension Expense	(\$9,269)	\$134,831	\$125,562

At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources:			
Differences between expected and actual experience	\$99	\$91,343	\$91,442
Changes of assumptions	21,716	820,196	841,912
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	30,968	298,842	329,810
School District contributions subsequent to the measurement date	<u>138,673</u>	<u>426,911</u>	<u>565,584</u>
Total Deferred Outflows of Resources	<u>\$191,456</u>	<u>\$1,637,292</u>	<u>\$1,828,748</u>

Deferred Inflows of Resources:			
Differences between expected and actual experience	\$26,746	\$18,531	\$45,277
Net difference between projected and actual earnings on pension plan investments	531,150	2,547,966	3,079,116
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	<u>0</u>	<u>157,568</u>	<u>157,568</u>
Total Deferred Inflows of Resources	<u>\$557,896</u>	<u>\$2,724,065</u>	<u>\$3,281,961</u>

\$565,584 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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	SERS	STRS	Total
Fiscal Year Ending June 30:			
2023	(\$110,473)	(\$282,008)	(\$392,481)
2024	(105,319)	(274,730)	(380,049)
2025	(126,289)	(412,481)	(538,770)
2026	(163,032)	(544,465)	(707,497)
Total	(\$505,113)	(\$1,513,684)	(\$2,018,797)

Actuarial Assumptions - SERS

SERS’ total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee’s entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2021, compared with June 30, 2020, are presented below:

	June 30, 2021	June 30, 2020
Inflation	2.4 percent	3.00 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	3.25 percent to 13.58 percent 2.0 percent, on or after April 1, 2018, COLAs for future retirees will be delayed for three years following commencement	3.50 percent to 18.20 percent 2.5 percent
Investment Rate of Return	7.00 percent net of System expenses	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)	Entry Age Normal (Level Percent of Payroll)

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For the Fiscal Year Ended June 30, 2022

Mortality rates for 2021 were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

Mortality rates for 2020 were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2020.

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	2.00 %	(0.33) %
US Equity	24.75	5.72
Non-US Equity Developed	13.50	6.55
Non-US Equity Emerging	6.75	8.54
Fixed Income/Global Bonds	19.00	1.14
Private Equity	11.00	10.03
Real Estate/Real Assets	16.00	5.41
Multi-Asset Strategy	4.00	3.47
Private Debt/Private Credit	3.00	5.28
Total	<u>100.00 %</u>	

Discount Rate

The total pension liability for 2021 was calculated using the discount rate of 7.00 percent. The discount rate for 2020 was 7.5 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment

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earnings were calculated using the long-term assumed investment rate of return (7.00 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.00 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent), or one percentage point higher (8.00 percent) than the current rate.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net pension liability	\$1,715,830	\$1,031,298	\$454,006

Actuarial Assumptions - STRS

Key methods and assumptions used in the June 30, 2021, actuarial valuation compared to those used in the June 30, 2020, actuarial valuation are presented below:

	June 30, 2021	June 30, 2020
Inflation	2.50 percent	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7.00 percent	7.45 percent
Payroll Increases	3.00 percent	3.00 percent
Cost-of-Living Adjustments (COLA)	0.0 percent	0.0 percent,

Post-retirement mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

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Actuarial assumptions used in the June 30, 2021, valuation are based on the results of an actuarial experience study for the period July 1, 2011, through June 30, 2016.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return *</u>
Domestic Equity	28.00%	7.35%
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	<u>100.00%</u>	

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent, and is net of investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate

The discount rate used to measure the total pension liability was 7.00 percent as of June 30, 2021, and was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on pension plan investments of 7.00 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2021.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.00 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.00 percent) or one-percentage-point higher (8.00 percent) than the current rate:

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	1% Decrease <u>(6.00%)</u>	Current Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
School District's proportionate share of the net pension liability	\$5,536,482	\$2,956,535	\$776,484

Changes Between the Measurement Date and the Reporting Date

In February 2022, the Board approved changes to demographic measures that will impact the June 30, 2022, actuarial valuation. These demographic measures include retirement, salary increase, disability/termination and mortality assumptions. In March 2022, the STRS Board approved benefit plan changes to take effect on July 1, 2022. These changes include a one-time three percent cost-of-living increase (COLA) to be paid to eligible benefit recipients and the elimination of the age 60 requirement for retirement age and service eligibility that was set to take effect in 2026. The effect on the net pension liability is unknown.

Note 11 – Defined Benefit OPEB Plans

See Note 10 for a description of the net OPEB liability.

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. The following types of credit purchased after January 29, 1981, do not count toward health care coverage eligibility: military, federal, out-of-state, municipal, private school, exempted, and early retirement incentive credit. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Annual Comprehensive Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the

Southern Hills Joint Vocational School District

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premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2022, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2022, this amount was \$25,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2022, the School District's surcharge obligation was \$2,606.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$2,606 for fiscal year 2022, all of which is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2022, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liability (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability (asset) was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

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	SERS	STRS	Total
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.02568440%	0.023123396%	
Prior Measurement Date	0.02548000%	0.023921280%	
Change in Proportionate Share	<u>0.00020440%</u>	<u>-0.000797884%</u>	
Proportionate Share of the			
Net OPEB (Asset)	\$0	(\$487,538)	(\$487,538)
Net OPEB Liability	\$486,098	\$0	\$486,098
OPEB Expense	(\$17,626)	(\$20,131)	(\$37,757)

At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources:			
Differences between expected and actual experience	\$5,181	\$17,360	\$22,541
Changes of assumptions	76,258	31,142	107,400
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	0	42,221	42,221
School District contributions subsequent to the measurement date	2,606	0	2,606
Total Deferred Outflows of Resources	<u>\$84,045</u>	<u>\$90,723</u>	<u>\$174,768</u>
Deferred Inflows of Resources:			
Differences between expected and actual experience	\$242,099	\$89,326	\$331,425
Changes of assumptions	66,567	290,852	357,419
Net difference between projected and actual earnings on OPEB plan investments	10,561	135,137	145,698
Changes in Proportionate share and Difference between School District contributions and proportionate share of contributions	41,374	401	41,775
Total Deferred Inflows of Resources	<u>\$360,601</u>	<u>\$515,716</u>	<u>\$876,317</u>

\$2,606 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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For the Fiscal Year Ended June 30, 2022

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2023	(\$67,392)	(\$119,245)	(\$186,637)
2024	(67,466)	(115,861)	(183,327)
2025	(62,170)	(117,012)	(179,182)
2026	(49,112)	(54,047)	(103,159)
2027	(25,175)	(19,206)	(44,381)
Thereafter	<u>(7,847)</u>	<u>378</u>	<u>(7,469)</u>
Total	<u>(\$279,162)</u>	<u>(\$424,993)</u>	<u>(\$704,155)</u>

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2021, compared with June 30, 2020, are presented below:

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	June 30, 2021	June 30, 2020
Inflation	2.40 percent	3.00 percent
Future Salary Increases, including inflation		
Wage Increases	3.25 percent to 13.58 percent	3.50 percent to 18.20 percent
Investment Rate of Return	7.00 percent net of investment expense, including inflation	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate:		
Measurement Date	1.92 percent	2.45 percent
Prior Measurement Date	2.45 percent	3.13 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation		
Measurement Date	2.27 percent	2.63 percent
Prior Measurement Date	2.63 percent	3.22 percent
Medical Trend Assumption		
Medicare	5.125 to 4.40 percent	5.25 to 4.75 percent
Pre-Medicare	6.75 to 4.40 percent	7.00 to 4.75 percent

For 2021, mortality rates among healthy retirees were based on the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Mortality rates for contingent survivors were based on PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5 percent for males and adjusted 122.5 percent for females. Mortality rates for actives is based on PUB-2010 General Amount Weighted Below Median Employee mortality table.

For 2020, mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2020.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2015 through 2020, and was adopted by the Board in 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for

Southern Hills Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 10.

Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2021, was 2.27 percent. The discount rate used to measure total OPEB liability prior to June 30, 2021, was 2.63 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 1.50 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make all projected future benefit payments of current System members by SERS actuaries. The Municipal Bond Index Rate is used in the determination of the SEIR for both the June 30, 2020, and the June 30, 2021, total OPEB liability. The Municipal Bond Index rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate is 1.92 percent at June 30, 2021, and 2.45 percent at June 30, 2020.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates

The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.27%) and higher (3.27%) than the current discount rate (2.27%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (5.75% decreasing to 3.40%) and higher (7.75% decreasing to 5.40%) than the current rate.

	1% Decrease (1.27%)	Current Discount Rate (2.27%)	1% Increase (3.27%)
School District's proportionate share of the net OPEB liability	\$602,335	\$486,098	\$393,240

Southern Hills Joint Vocational School District
Notes to the Basic Financial Statements
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	1% Decrease (5.75% decreasing to 3.40%)	Current Trend Rate (6.75% decreasing to 4.40%)	1% Increase (7.75% decreasing to 5.40%)
School District's proportionate share of the net OPEB liability	\$374,256	\$486,098	\$635,485

Actuarial Assumptions – STRS

Key methods and assumptions used in the June 30, 2021, actuarial valuation and the June 30, 2020, actuarial valuation are presented below:

	June 30, 2021	June 30, 2020
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3 percent
Discount Rate of Return	7.00 percent	7.45 percent
Health Care Cost Trends		
Medical		
Pre-Medicare	5.00 percent initial, 4 percent ultimate	5.00 percent initial, 4 percent ultimate
Medicare	-16.18 percent initial, 4 percent ultimate	-6.69 percent initial, 4 percent ultimate
Prescription Drug		
Pre-Medicare	6.50 percent initial, 4 percent ultimate	6.50 percent initial, 4 percent ultimate
Medicare	29.98 initial, 4 percent ultimate	11.87 initial, 4 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2021, valuation are based on the results of an actuarial experience study for the period July 1, 2011, through June 30, 2016.

The non-Medicare subsidy percentage was increased effective January 1, 2022, from 2.055 percent to 2.1 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D Subsidy was updated to reflect it is expected to be negative in CY 2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

Southern Hills Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 10.

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2021, and was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on health care plan investments of 7.00 percent was used to measure the total OPEB liability as of June 30, 2021.

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate

The following table represents the net OPEB asset as of June 30, 2021, calculated using the current period discount rate assumption of 7.00 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
School District's proportionate share of the net OPEB asset	(\$411,407)	(\$487,538)	(\$551,134)

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net OPEB asset	(\$548,557)	(\$487,538)	(\$412,082)

Changes Between the Measurement Date and the Reporting Date

In February 2022, the Board approved changes to demographic measures that will impact the June 30, 2022, actuarial valuation. The effect on the net OPEB liability is unknown.

Note 12 – Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn 10 to 25 days of vacation per fiscal year, depending upon length of service. Vacation leave may be accumulated up to a maximum of 100

Southern Hills Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

days. Teachers do not earn vacation time. Accumulated, unused vacation time is paid to classified employees and certified employees who earn vacation time upon termination of employment.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month for a total of 15 days of sick leave for each fiscal year under contract. Sick leave may be accumulated up to a maximum of 250 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit up to a maximum of 62.50 days for all personnel.

Other Employee Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Metropolitan Life Insurance Company. Vision insurance is provided to the School District by Vision Service Plan.

Note 13 – Long-Term Obligations

The changes in the School District’s long-term obligations during fiscal year 2022 were as follows:

	Amount Outstanding 6/30/21	Additions	Deductions	Amount Outstanding 6/30/22	Amounts Due in One Year
<u>Governmental Activities:</u>					
Net Pension Liability:					
STRS	\$5,788,099	\$0	\$2,831,564	\$2,956,535	\$0
SERS	1,798,457	0	767,159	1,031,298	0
Total Net Pension Liability	<u>7,586,556</u>	<u>0</u>	<u>3,598,723</u>	<u>3,987,833</u>	<u>0</u>
Net OPEB Liability:					
SERS	553,764	0	67,666	486,098	0
Total Net OPEB Liability	<u>553,764</u>	<u>0</u>	<u>67,666</u>	<u>486,098</u>	<u>0</u>
Direct Placement:					
2014 Permanent Improvement Tax					
Anticipation Note - 2.5%	\$337,050	\$0	\$236,677	\$100,373	\$100,373
Financed Purchase Payable	610,617	0	298,314	312,303	157,049
Compensated Absences	465,086	67,126	45,591	486,621	60,127
Total Governmental Activities Long-Term Obligations	<u>\$9,553,073</u>	<u>\$67,126</u>	<u>\$4,246,971</u>	<u>\$5,373,228</u>	<u>\$317,549</u>

Permanent Improvement Tax Anticipation Note

On August 13, 2013, the School District entered into a tax anticipation note in the amount of \$2,000,000 for general ongoing permanent improvements of the School District. The note was issued for a 10 year period, with final maturity during fiscal year 2023. The loan will be retired from the Permanent Improvement Fund. The note is directly placed with the National Bank and Trust Company.

Southern Hills Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

The School District pays obligations related to employee compensation from the fund benefitting from their service. Compensated absences will be paid from the General Fund. There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are made from the General Fund. For additional information related to the net pension liability and net OPEB liability see Notes 10 and 11.

Principal requirements to retire the debt outstanding at June 30, 2022, are as follows:

Fiscal Year Ending June 30,	Tax Anticipation Note Principal	Tax Anticipation Note Interest
2023	<u>\$100,373</u>	<u>\$628</u>

Financed Purchase

In prior years, the School District entered into a financed purchase agreement for a renovation project involving the School District building, which meets the definition of a Qualified Zone Academy. Purchase payments are reflected as debt expenditures in the fund financial statements. Principal payments made during fiscal year 2022 totaled \$298,314. Payments are made from the Permanent Improvement Fund.

The agreement provides for minimum annual financed purchase payments as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Total Payments</u>
2023	\$338,298
Less: Amount Representing Interest	(25,995)
Present Value of Net Minimum Lease Payments	<u>\$312,303</u>

The School District’s overall legal debt margin was \$88,502,420, with an unvoted debt margin of \$983,360 at June 30, 2022.

Note 14 – Interfund Activity

Interfund Transfers

Transfers made during the fiscal year ended June 30, 2022, were as follows:

Transfers To	Transfers From General Fund
Nonmajor Governmental Funds	<u>\$73,469</u>

Transfers were made from the General Fund to move unrestricted balances to support programs and projects accounted for in other funds.

Southern Hills Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Interfund Balances

Interfund balances at June 30, 2022, consist of the following individual interfund receivable and payable:

		Receivable
		<u>General Fund</u>
Payable	Nonmajor Governmental Funds	<u>\$4,000</u>

General Fund advances are made to move unrestricted balances to support programs and projects accounted for in other funds. Advancing monies to other funds is necessary due to timing differences in the receiving of grant monies. When the monies are finally received, the grant fund will use these restricted monies to reimburse the General Fund for the initial advance.

Advances To/From Other Funds

As of June 30, 2022, receivables and payables that resulted from various long-term advances were as follows:

		Advances From
		<u>General Fund</u>
Advances To	Nonmajor Governmental Funds	<u>\$200,000</u>

The advance from the General Fund to the Nonmajor Governmental Funds was made to cover expenditures for which the School District is awaiting reimbursement from the Ohio School Facilities Commission and to move monies needed to pay for supplies. The General Fund will be reimbursed when the monies are received or when balances become available.

Note 15 – Jointly Governed Organization and Insurance Purchasing Pool

Hamilton/Clermont Cooperative

The School District is a participant in a two county Council of Governments that operates the Hamilton/Clermont Cooperative (H/CC). H/CC is an association of public districts in a geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The Board of H/CC consists of one representative from each of the participating members. The School District paid \$21,116 for services provided during the fiscal year. The Board exercises total control over the operations of the Association including budgeting, appropriating, contracting and designating management. Each School District’s degree of control is limited to its representation on the Board.

Southern Hills Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Complete financial statements for H/CC can be obtained from Dave Horine, Director, at the administrative offices at 7615 Harrison Avenue, Cincinnati, Ohio 45231.

Ohio SchoolComp Workers' Compensation Group Rating Plan

The School District participates in the Ohio SchoolComp Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The Ohio School Board Association (OSBA) and the Ohio Association of School Business Officials (OASBO) co-sponsor the GRP. The Executive Directors of the OSBA and the OASBO, or their designees, serve as coordinators of the program.

Note 16 – Public Entity Shared Risk and Insurance Purchasing Pool

Brown County Schools Benefits Consortium

The Brown County Schools Benefits Consortium, a public entity shared risk and insurance purchasing pool, currently operates to provide medical insurance (insurance purchasing pool) and dental coverage (public entity shared risk pool) to enrolled employees of the consortium members and to eligible dependents of those enrolled employees. Six Brown County school districts (Eastern, Fayetteville-Perry, Georgetown, Ripley Union Lewis Huntington, Southern Hills Joint Vocational, and Western Brown Schools) and two Highland County school districts (Bright Local and Lynchburg-Clay Local School Districts), along with the Brown County Educational Service Center have entered into an agreement to form the Brown County Schools Benefits Consortium. The Consortium is governed by a nine member board consisting of the superintendents of each participating school district along with the superintendent of the Brown County Educational Service Center. The overall objectives of the consortium are to formulate and administer a program of medical and dental insurance for the benefit of the consortium members' employees and their dependents. The consortium contracts with United Healthcare to provide medical insurance directly to consortium member employees. The School District pays premiums to the consortium based on employee membership. For dental coverage the consortium acts as a public entity shared risk pool. Each member district pays dental premiums based on the consortium estimates of future claims. If the member district's dental claims exceed its premiums, there is no individual supplemental assessment; on the other hand, if the member district's claims are low, it will not receive a refund. Dental coverage is administered through a third party administrator, Denta Quest. Participating member districts pay an administrative fee to the fiscal agent to cover the costs associated with the administering of the Consortium. To obtain financial information write to the Brown County Educational Service Center at 9231 Hamer Road, Georgetown, Ohio 45121.

Note 17 – Set-Asides

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years.

Southern Hills Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

The School District is no longer required to set aside funds in the budget stabilization set-aside, with the exception of refunds received from the Bureau of Workers' Compensation, which must be spent for specified purposes.

The following cash basis information identifies the change in the fiscal year-end set-aside amounts for capital acquisition and budget stabilization. Disclosure of this information is required by State statute.

	Capital Acquisitions	Budget Stabilization
Set-aside Balance as of June 30, 2021	\$0	\$20,297
Current Fiscal Year Set-aside Requirement	99,735	0
Qualifying Disbursements	(99,735)	0
Set-aside Balance as of June 30, 2022	<u>\$0</u>	<u>\$20,297</u>
Required Set-aside Balances Carried Forward to Fiscal Year 2022	<u>\$0</u>	<u>\$20,297</u>

Amounts of offsets and qualifying expenditures presented in the table for the capital acquisition set-asides were limited to those necessary to reduce the year-end balance to zero. Although the School District may have had additional offsets and qualifying expenditures for capital acquisitions, these amounts may not be used to reduce the set-aside requirements of future fiscal years and therefore is not presented as being carried forward to the next fiscal year.

Note 18 - Significant Commitments

Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year-end, the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General Fund	\$69,902
Permanent Improvement	120,101
Nonmajor Governmental Funds	<u>63,607</u>
Total	<u>\$253,610</u>

Note 19 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Southern Hills Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

Fund Balances	General Fund	Permanent Improvement Fund	Nonmajor Governmental Funds	Total
<i>Nonspendable</i>				
Prepays	\$1,141	\$0	\$65	\$1,206
Inventory	0	0	1,340	1,340
Long Term Advances	200,000	0	0	200,000
<i>Total Nonspendable</i>	201,141	0	1,405	202,546
<i>Restricted for</i>				
Permanent Improvements	0	1,663,472	0	1,663,472
Capital Improvements	0	0	526,281	526,281
Food Service Operations	0	0	432,245	432,245
Adult Education	0	0	608,858	608,858
Classroom Facilities Maintenance	0	0	1,560,726	1,560,726
Renewed Opportunity	0	0	120,946	120,946
State and Federal Grants	0	0	190,510	190,510
Scholarships	0	0	59,824	59,824
Student Managed Activity	0	0	86,576	86,576
Set Asides	20,297	0	0	20,297
<i>Total Restricted</i>	20,297	1,663,472	3,585,966	5,269,735
<i>Committed to</i>				
Termination Benefits	623,517	0	0	623,517
<i>Assigned to</i>				
Future Appropriations	0	0	0	0
Purchases on Order	67,629	0	0	67,629
<i>Total Assigned</i>	67,629	0	0	67,629
<i>Unassigned (Deficit)</i>	7,120,641	0	(3,860)	7,116,781
<i>Total Fund Balances</i>	\$8,033,225	\$1,663,472	\$3,583,511	\$13,280,208

Note 20 – Contingencies

Grants

The School District received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2022, if applicable, cannot be determined at this time.

Southern Hills Joint Vocational School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end.

As of the date of this report, additional ODE adjustments for fiscal year 2022 are finalized. The School District has received one adjustment which resulted in an additional receivable on the fiscal year 2022 financial statements of \$503.

Litigation

The School District is of the opinion that the ultimate disposition of any legal proceedings will not have a material effect, if any, on the financial condition of the School District.

Note 21 – COVID 19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During fiscal year 2022, the School District received COVID-19 funding. The financial impact of COVID-19 and the continuing recovery measures will impact subsequent periods of the School District. The impact on the School District's future operating costs, revenues, and additional recovery from funding, either federal or state, cannot be estimated.

Southern Hills Joint Vocational School District

Required Supplementary Information

Southern Hills Joint Vocational School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Nine Fiscal Years (1)

	2022	2021	2020	2019
School District's Proportion of the Net Pension Liability	0.02795070%	0.02719080%	0.02702120%	0.02746010%
School District's Proportionate Share of the Net Pension Liability	\$1,031,298	\$1,798,457	\$1,616,725	\$1,572,690
School District's Covered Payroll	\$964,786	\$953,250	\$881,948	\$607,185
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered - Payroll	106.89%	188.67%	183.31%	259.01%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.86%	68.55%	70.85%	71.36%

(1) Information prior to 2014 is not available.

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

2018	2017	2016	2015	2014
0.02820750%	0.02865070%	0.02748030%	0.25829000%	0.02582900%
\$1,685,335	\$2,096,966	\$1,568,053	\$1,307,191	\$1,535,968
\$1,194,057	\$882,821	\$841,486	\$676,046	\$665,046
141.14%	237.53%	186.34%	193.36%	230.96%
69.50%	62.98%	69.16%	71.70%	65.52%

Southern Hills Joint Vocational School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
School Employees Retirement System of Ohio
Last Six Fiscal Years (1)

	2022	2021	2020	2019
School District's Proportion of the Net OPEB Liability	0.02568440%	0.02548000%	0.02513690%	0.02522060%
School District's Proportionate Share of the Net OPEB Liability	\$486,098	\$553,764	\$632,141	\$699,687
School District's Covered Payroll	\$964,786	\$953,250	\$881,948	\$607,185
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered - Payroll	50.38%	58.09%	71.68%	115.23%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	24.08%	18.17%	15.57%	13.57%

(1) Information prior to 2017 is not available.

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

2018	2017
0.02626210%	0.02689810%
\$704,805	\$766,695
\$1,194,057	\$882,821
59.03%	86.85%
12.46%	11.49%

Southern Hills Joint Vocational School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Nine Fiscal Years (1)

	2022	2021	2020	2019
School District's Proportion of the Net Pension Liability	0.023123396%	0.023921280%	0.023688650%	0.020920270%
School District's Proportionate Share of the Net Pension Liability	\$2,956,535	\$5,788,099	\$5,238,601	\$4,599,897
School District's Covered Payroll	\$2,815,043	\$2,943,879	\$2,948,243	\$2,684,293
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered - Payroll	105.03%	196.61%	177.69%	171.36%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.80%	75.50%	77.40%	77.30%

(1) Information prior to 2014 is not available.

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

2018	2017	2016	2015	2014
0.019526760%	0.019102380%	0.001981445%	0.020184180%	0.020184180%
\$4,638,623	\$6,394,143	\$5,476,147	\$4,909,492	\$5,848,154
\$1,883,264	\$2,024,057	\$2,051,843	\$2,168,992	\$2,178,692
246.31%	315.91%	266.89%	226.35%	268.42%
75.30%	66.80%	72.10%	74.70%	69.30%

Southern Hills Joint Vocational School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability (Asset)
State Teachers Retirement System of Ohio
Last Six Fiscal Years (1)

	2022	2021	2020	2019
School District's Proportion of the Net OPEB Liability (Asset)	0.023123396%	0.023921280%	0.023688650%	0.020920270%
School District's Proportionate Share of the Net OPEB Liability (Asset)	(\$487,538)	(\$420,417)	(\$392,340)	(\$336,167)
School District's Covered Payroll	\$2,815,043	\$2,943,879	\$2,948,243	\$2,684,293
School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered - Payroll	-17.32%	-14.28%	-13.31%	-12.52%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	174.70%	182.10%	174.70%	176.00%

(1) Information prior to 2017 is not available.

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

2018	2017
0.019526760%	0.019102380%
\$761,861	\$1,021,600
\$1,883,264	\$2,024,057
40.45%	50.47%
47.10%	37.30%

Southern Hills Joint Vocational School District
Required Supplementary Information
Schedule of the School District's Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	2022	2021	2020	2019
Net Pension Liability				
Contractually Required Contribution	\$138,673	\$135,070	\$133,455	\$119,063
Contributions in Relation to the Contractually Required Contribution	<u>(138,673)</u>	<u>(135,070)</u>	<u>(133,455)</u>	<u>(119,063)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$990,521	\$964,786	\$953,250	\$881,948
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>13.50%</u>
Net OPEB Liability				
Contractually Required Contribution (2)	2,606	2,049	3,428	7,781
Contributions in Relation to the Contractually Required Contribution	<u>(2,606)</u>	<u>(2,049)</u>	<u>(3,428)</u>	<u>(7,781)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.26%</u>	<u>0.21%</u>	<u>0.36%</u>	<u>0.88%</u>
Total Contributions as a Percentage of Covered Payroll (2)	<u>14.26%</u>	<u>14.21%</u>	<u>14.36%</u>	<u>14.38%</u>

(1) The School District's covered payroll is the same for Pension and OPEB.

(2) Includes Surcharge

See accompanying notes to the required supplementary information

2018	2017	2016	2015	2014	2013
\$81,970	\$167,168	\$123,595	\$110,908	\$93,700	\$92,042
<u>(81,970)</u>	<u>(167,168)</u>	<u>(123,595)</u>	<u>(110,908)</u>	<u>(93,700)</u>	<u>(92,042)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$607,185	\$1,194,057	\$882,821	\$841,486	\$676,046	\$665,046
<u>13.50%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>13.18%</u>	<u>13.86%</u>	<u>13.84%</u>
4,834	3,388	4,445	16,380	7,228	5,901
<u>(4,834)</u>	<u>(3,388)</u>	<u>(4,445)</u>	<u>(16,380)</u>	<u>(7,228)</u>	<u>(5,901)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>0.80%</u>	<u>0.28%</u>	<u>0.50%</u>	<u>1.95%</u>	<u>1.07%</u>	<u>0.89%</u>
<u>14.30%</u>	<u>14.28%</u>	<u>14.50%</u>	<u>15.13%</u>	<u>14.93%</u>	<u>14.73%</u>

Southern Hills Joint Vocational School District
Required Supplementary Information
Schedule of the School District's Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Net Pension Liability				
Contractually Required Contribution	\$426,911	\$394,106	\$412,143	\$412,754
Contributions in Relation to the Contractually Required Contribution	<u>(426,911)</u>	<u>(394,106)</u>	<u>(412,143)</u>	<u>(412,754)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (2)	\$3,049,364	\$2,815,043	\$2,943,879	\$2,948,243
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
Net OPEB Liability				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

See accompanying notes to the required supplementary information

2018	2017	2016	2015	2014	2013
\$375,801	\$263,657	\$283,368	\$287,258	\$281,969	\$283,230
(375,801)	(263,657)	(283,368)	(287,258)	(281,969)	(283,230)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,684,293	\$1,883,264	\$2,024,057	\$2,051,843	\$2,168,992	\$2,178,692
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>13.00%</u>	<u>13.00%</u>
\$0	\$0	\$0	\$0	\$21,690	\$21,787
0	0	0	0	(21,690)	(21,787)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>1.00%</u>	<u>1.00%</u>
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

Southern Hills Joint Vocational School District

*Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2022*

Net Pension Liability

Changes in Assumptions - SERS

Beginning in fiscal year 2022, an assumption of 2.0 percent was used for COLA or Ad Hoc Cola. For fiscal years 2018 through 2021, an assumption of 2.5 percent was used. Prior to 2018, an assumption of 3 percent was used.

Amounts reported in 2022 incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These assumptions compared with those used in prior years are presented below:

	<u>Fiscal Year 2022</u>	<u>Fiscal Years 2021-2017</u>	<u>Fiscal Year 2016 and Prior</u>
Wage Inflation	2.4 percent	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.0 percent net of system expenses	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Amounts reported for 2022 use mortality rates based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

Amounts report for 2017 through 2021 use mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

Changes in Assumptions - STRS

Beginning with fiscal year 2022, amounts reported incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal years 2018-2021 and fiscal year 2017 and prior are presented below:

Southern Hills Joint Vocational School District

*Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2022*

	Fiscal Year 2022	Fiscal Years 2021-2018	Fiscal Year 2017 and Prior
Inflation	2.50 percent	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

Beginning with fiscal year 2018, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For fiscal year 2017 and prior actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Net OPEB Liability

Changes in Assumptions – SERS

Beginning with fiscal year 2022, amounts reported incorporate changes in assumptions and changes in benefit terms used by SERS in calculating the total OPEB liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2021 and prior are presented below:

	2022	2021 and Prior
Inflation	2.40 percent	3.00 percent
Future Salary Increases, including inflation Wage Increases	3.25 percent to 13.58 percent	3.50 percent to 18.20 percent
Investment Rate of Return	7.00 percent net of investment expense, including inflation	7.50 percent net of investment expense, including inflation

Southern Hills Joint Vocational School District

Notes to Required Supplementary Information

For the Fiscal Year Ended June 30, 2022

Amounts reported incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:	
Fiscal year 2022	1.92 percent
Fiscal year 2021	2.45 percent
Fiscal year 2020	3.13 percent
Fiscal year 2019	3.62 percent
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Fiscal year 2022	2.27 percent
Fiscal year 2021	2.63 percent
Fiscal year 2020	3.22 percent
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Changes in Assumptions – STRS

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45.

For fiscal year 2022, the discount rate was decreased from 7.45 percent to the long-term expected rate of return of 7.00.

Changes in Benefit Terms – STRS OPEB

For fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2020.

Southern Hills Joint Vocational School District

Notes to Required Supplementary Information

For the Fiscal Year Ended June 30, 2022

For fiscal year 2019, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019, and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

For fiscal year 2020, there was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020, to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020, from 1.944 percent to 1.984 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021, to 2.1 percent for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

For fiscal year 2021, there was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2021, premium based on June 30, 2020, enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021, from 1.984 percent to 2.055 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021, to 2.1 percent for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

For fiscal year 2022, there was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2022, premium based on June 30, 2021, enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2022, from 2.055 percent to 2.1 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D Subsidy was updated to reflect it is expected to be negative in CY 2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

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**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Southern Hills Joint Vocational School District
Brown County
9193 Hamer Road
Georgetown, OH 45121

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standard applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Southern Hills Joint Vocational School District**, Brown County, (the School District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School District’s basic financial statements and have issued our report thereon dated December 19, 2022.

Report on the Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District’s internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances for the purposes of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the School District’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School District’s financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

December 19, 2022

OHIO AUDITOR OF STATE KEITH FABER



**SOUTHERN HILLS JOINT VOCATIONAL SCHOOL DISTRICT
BROWN COUNTY**

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 2/16/2023

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov